



TVA Financial Update

2007 TVIC Spring Meeting
John Hoskins

May 10, 2007



FY2007 Financial Hardspots

Winter (Dec – Feb)

- Periods of mild weather reduced sales and revenue below plan
- CT acquisitions
- Cost increases identified related to projects and generating unit outages

Early Spring (Feb – Mar)

- Dry conditions worsen, but still optimistic for summer
- Additional capacity expansion options identified

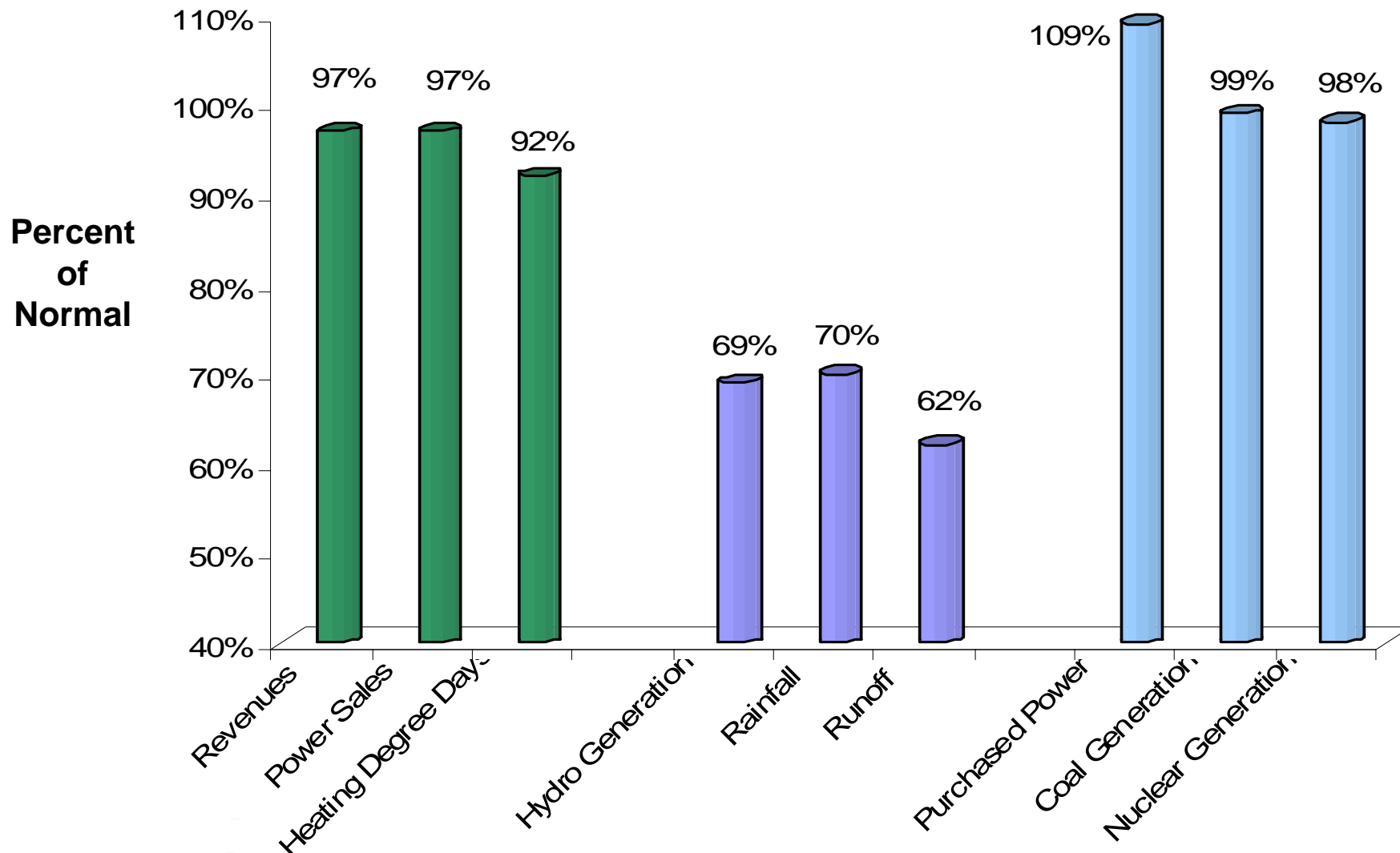
Late Spring (Mar – Apr)

- Rapid deterioration of hydro generation is projected to impact the rest of the year
- Wolf Creek issue quantified
- Plant performance issues



FYTD 2007 Weather Impacts

Estimates as of April 27, 2007





Financial Projections

(Unaudited)

	Percent Favorable/(Unfavorable)	
	<u>March YTD</u>	<u>FY Forecast</u>
Operating Revenues	(3.2%)	(0.8%)
Fuel & Purchased Power	1.9%	(1.9%)
O&M	8.1%	1.0%
Depreciation, Amortization	(3.9%)	(2.5%)
Interest Expense	6.6%	4.6%
Net Income	(13.1%)	(13.9%)



FY2007 Total Delivered Cost of Power Forecast

FY2007 Budget versus Forecast

(\$/MWh)

\$54.00

\$52.00

\$50.00

\$48.00

\$46.00

\$44.00

\$42.00

FY2007
Budget

FY2007
Forecast

50.15

0.12

Lower
Power
Sales

1.72

Lower
Projected
Hydro
Generation
for the
Year

0.59

Higher
Fuel
Costs

(1.06)

Lower
Purchased
Power
Costs

(0.21)

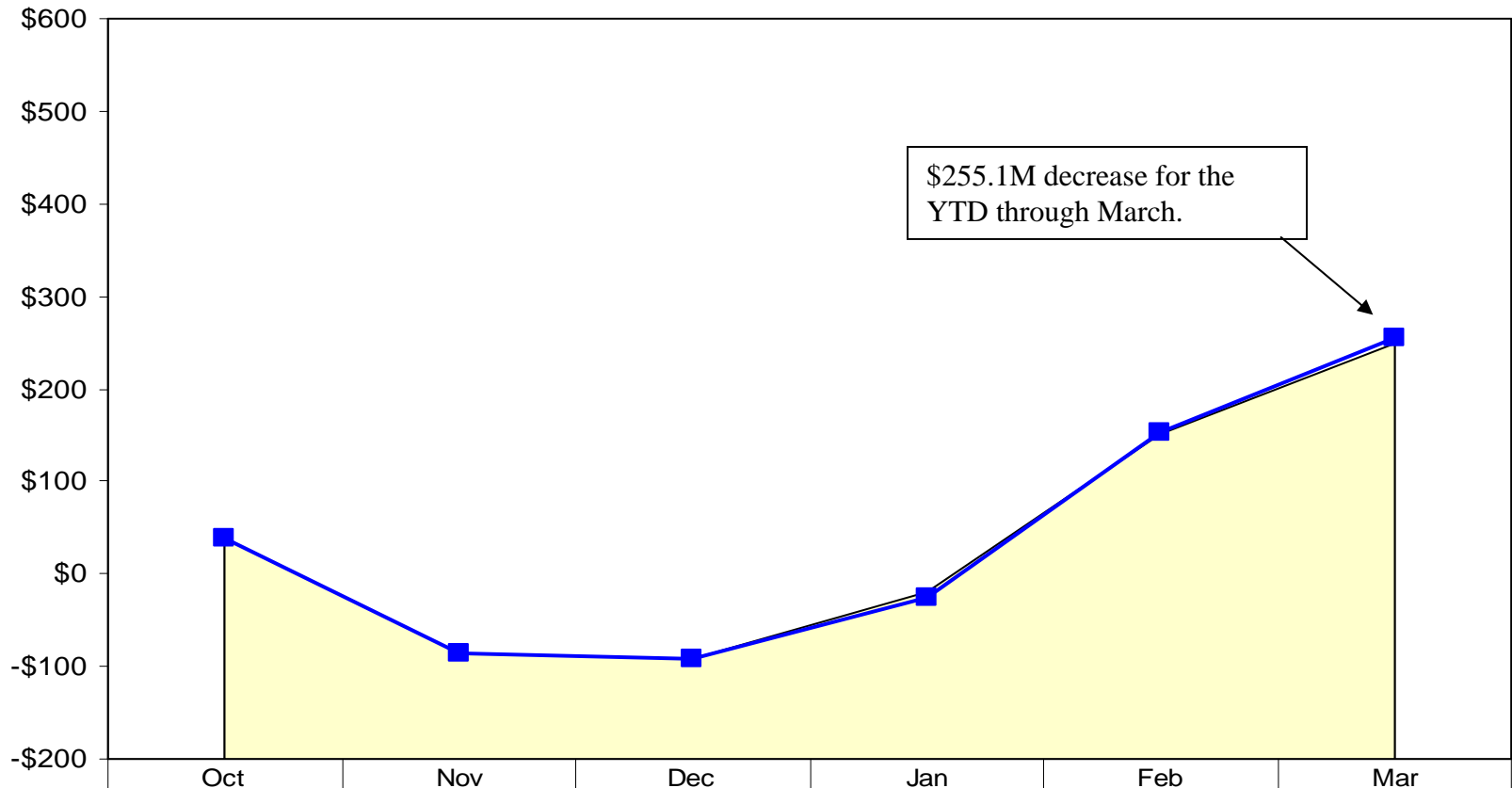
Lower
Other
Expenses

51.31



FY2007 Reduction in Debt, Lease-Leaseback, and Energy Prepayment Obligations

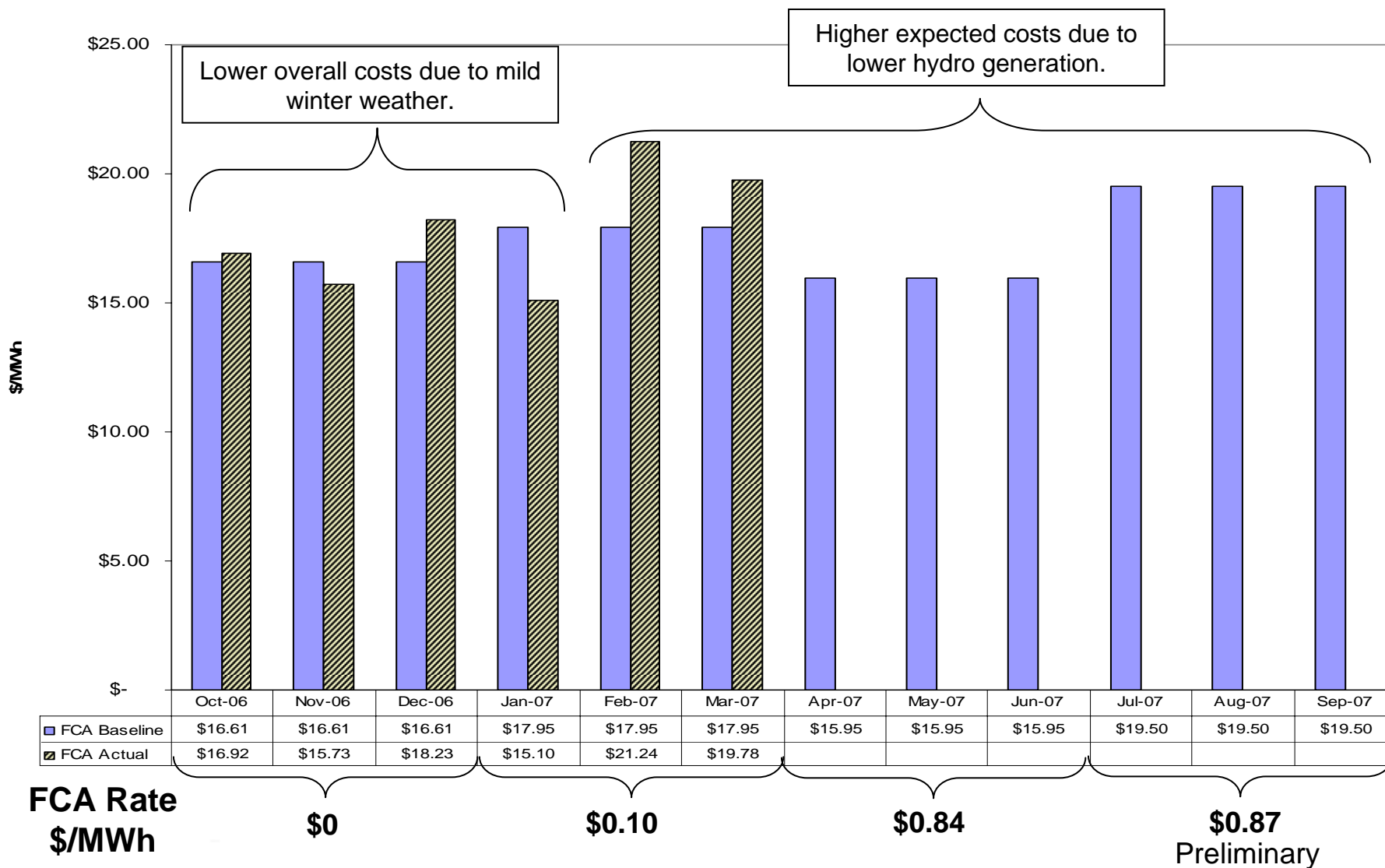
(millions)



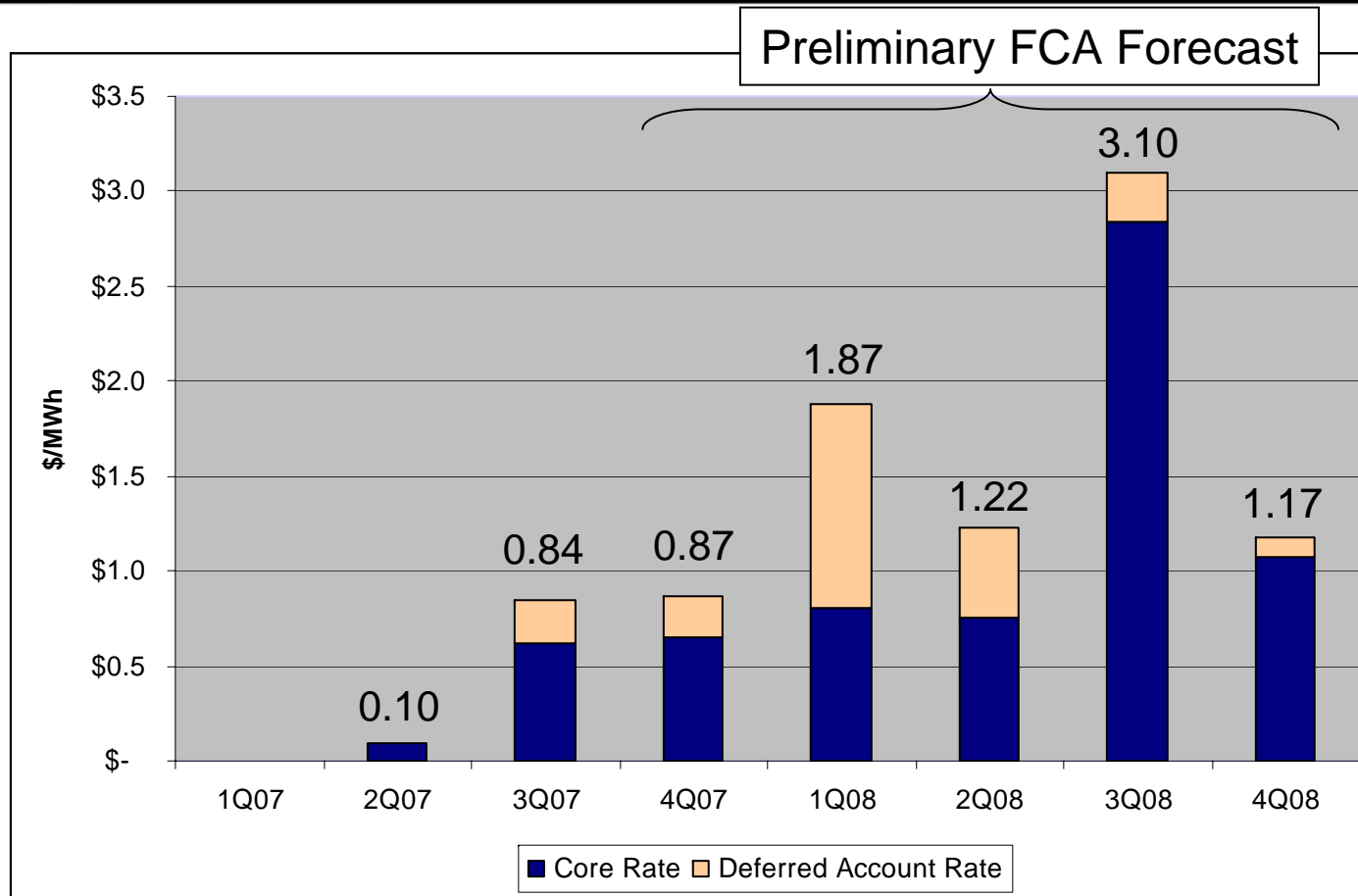
FYTD Baseline	Oct	Nov	Dec	Jan	Feb	Mar
FYTD Actuals	38.5	(85.0)	(91.5)	(20.2)	150.0	250.0
	38.5	(85.0)	(91.5)	(26.5)	153.1	255.1



YTD Fuel Cost Adjustment Costs per MWh Actual versus Baseline



Fuel Cost Adjustment Forecast



- The FCA amount of \$0.87/MWh will be applied for 4Q07 (July through September).
- The FCA amounts have increased primarily from a lower hydro forecast, and associated true-up amounts.

TVA